

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL MEMORANDUM**

**HB 639 – SB 783**

April 10, 2013

**SUMMARY OF ORIGINAL BILL:** Specifies that claimants who do not make a reasonable effort to secure work shall be disqualified from receiving unemployment benefits.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (004966):** Deletes all language after the enacting clause. Deletes current definition of “base period” and replaces it with a new definition requiring the last four quarters of a benefit period to be used when the first quarter was used in a previous benefit year. Deletes requirement to use the last four quarters of the five quarter period when insufficient wages are available in the first quarter to qualify for benefits. Adds to the definition of “misconduct” any conduct constituting a criminal offense for which the claimant has been convicted or charged that involves dishonesty arising out of the claimant’s employment. Eliminates the one-year limitation on reconsideration for unemployment claims, if the claimant is subsequently convicted of a misdemeanor or felony which caused the separation from the employer, provided the employer gives notification of the conviction to the Department of Labor and Workforce Development. Requires annual training for all unemployment hearing officers. Increases, from 1,000 to 1,500, the number of weekly random verification audits of unemployment benefit recipients that the Department is required to conduct for determining if false work search information has been provided for at least eight weeks.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

On March 19, 2013, a fiscal memorandum was issued for the bill as amended with the following estimated fiscal impact:

*Increase State Expenditures –*

*Exceeds \$130,000/One-Time/General Fund*

*Decrease State Expenditures –*

*Exceeds \$10,250,000/Unemployment Insurance Trust Fund*

*Other Fiscal Impact – Based on information provided by DLWD, federal administrative funds may be shifted from other projects to fund the one-time costs. No increase in overall federal funding is expected. The precise amount of surplus federal funds available that are*

**HB 639 – SB 783 (CORRECTED)**

*currently designated to a different project cannot be determined. Any use of federal administrative expenditures for the Unemployment Insurance program is subject to approval by the United States Department of Labor.*

On April 9, 2013, the Department of Labor and Workforce Development submitted the Department's analysis of this bill as amended. Based on the information, the fiscal impact of the bill as amended is:

**(CORRECTED)**

**Decrease State Expenditures –  
Exceeds \$50,245,400/Recurring/  
Unemployment Insurance Trust Fund**

**Other Fiscal Impact – Existing administrative funding from the Unemployment Insurance Trust Fund of approximately \$150,000 will be used for programming expenditures. The Unemployment Insurance Trust Fund is reimbursed with federal administrative funds for expenditures approved by the U.S. Department of Labor for administering the State's unemployment insurance program.**

Assumptions for the bill as amended:

- Under current law, the Department of Labor and Workforce Development (DLWD) is required to audit 1,000 claimants weekly. These audits are conducted by the existing computer system.
- DLWD can handle annual training for unemployment hearing officers within existing resources without an increased appropriation or reduced reversion.
- A one-time increase in state expenditures of \$150,000 for programming changes for the definition of misconduct and base period, the exception to the one-year rule, and a change in the audit requirement and changes to the benefit system.
- The Unemployment Insurance Trust Fund is reimbursed with federal administrative funds for expenditures approved for administering the State's unemployment insurance program. Administrative funding currently available to DLWD will be used for the one time state expenditures.
- An increase in verification audits will lead to additional claimants being disqualified from receiving benefits. The most recent DLWD labor market report showed an average duration for receiving benefits of 16 weeks; however, those claimants who have filed false work information for at least eight weeks are assumed to exhaust 26 weeks of benefits currently. The average weekly benefit amount is \$236.
- More claimants will be encouraged to comply with the requirements due to increased enforcement. The precise number of additional claimants that will be encouraged to comply with the requirements cannot be determined.
- At least two additional claimants per week will be disqualified for at least 10 weeks of additional benefits.

- A recurring decrease in state expenditures from the Unemployment Insurance Trust Fund exceeding \$245,440 (2 claimants x 10 benefit weeks x \$236 x 52 weeks per year).
- The additional cases being reconsidered after the one-year time period may result in an increase in recovered overpayments from the Unemployment Insurance Trust Fund. This would be considered a decrease in state expenditures from the Fund.
- Deleting the requirement to use the last four quarters of the five quarter period, when insufficient wages are available in the first quarter, may result in a decrease in average wages paid in the highest two quarters and may further result in some claimants no longer qualifying for benefits.
- According to the Department of Labor and Workforce Development, the total expenditure for claimants using the alternative base period is approximately \$21,500,000 per year.
- The precise number of claimants who would still qualify and apply for benefits using the traditional base period cannot be reasonably determined.
- The recurring decrease in state expenditures to the Trust Fund is reasonably estimated to exceed \$10,000,000.
- According to DLWD, the total cost of dependent allowances over 33 months was \$133,000,000.
- Based on information provided by DLWD, eliminating dependent allowances is reasonably estimated to decrease state expenditures from the Trust Fund in an amount exceeding \$40,000,000 per year.
- The total recurring decrease in state expenditures from the Trust Fund is reasonably estimated to exceed \$50,245,440 (\$40,000,000 + \$10,000,000 + \$245,440).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jaw